LIVESTOCK OUTLOOK

Fall, 1951

Circular 687
University of Illinois
College of Agriculture
Extension Service in Agriculture and Home Economics

BEEF CATTLE VALUES NEAR PEAK

Prices of beef cattle are now in the upper part of their cycle. They swing in a fairly regular pattern, with high points in comparison with prices of other things tending to occur about every 15 years. The next downturn may set in at almost any time within the next three years. This prospect creates an unusual risk for beef cattle producers during 1952 and the next few years.

The swings in relative values of beef cattle grow out of corresponding changes in cattle numbers and marketings. The previous high in cattle numbers was 86 million head in 1944. After that farmers sold off cattle for four years, bringing numbers down to 78 million head in 1948.

Cattle numbers building up

Farmers have been building up their herds for the last three years. They held back 2 million head of cattle in 1949, and 4 million more in 1950, and probably are holding back about 6 million this year. So far this year calf slaughter has been nearly a fifth less than in 1950. Slaughter of cattle has been nearly a tenth less. This indicates that farmers are building up their cattle herds by around 6 million head this year. Such an increase will carry cattle numbers to a new record high of 90 million head by next January 1. The total increase for three years is around 12 million head.

Beef-cow numbers reached a record high of 16.8 million January 1, 1950 and increased another 10 percent during the year.

Beef production exceeds current marketings

The point is that farmers are producing beef much faster than they are selling it. This limits market supplies. This limitation of market supplies makes for correspondingly high values for beef and beef cattle.

This rapid build-up probably will continue for another one to three years. Favorable weather for pasture, hay, and feed crops would increase and extend the build-up in numbers. Drouth or other unfavorable growing conditions would cut it short.

Values to fall as marketings increase

In any event, farmers are accumulating a large inventory of beef on the hoof. Sooner or later they will increase marketings to equal and eventually to exceed the rate of production. When that time comes beef cattle values will decline substantially.

The possible extent of this decline may be indicated by some price comparisons. At the middle of 1951, average prices of all farm products were slightly more than double their 40-year average. But beef cattle prices were three and a half times their 40-year average.

Effects of price controls

Price ceilings on beef and beef cattle may have had some stabilizing effect upon prices and marketings. With market prices at or close to the ceiling levels, there is little inducement to feeders to hold finished cattle for a possible price increase. Thus one possible cause of bunched marketings is removed.

The price ceilings probably have not had much effect upon average prices. This is evident from the fact that no serious meat shortages appeared. If meat prices had been reduced much below regular supply-demand levels, retail counters soon would have become empty and rationing would have been necessary just as it was during the war.

More cattle on grass, less on feed

There have been some claims that farmers would "strike" against price ceilings. Reports do show that farmers have had fewer cattle on feed this past summer than they had a year earlier. On July 1 Illinois farmers had 21 percent fewer cattle on feed than they had a year earlier. Iowa farmers had only 5 percent less cattle on feed. In the eleven corn-belt states the number on feed was 9 percent less than in 1950, but 22 percent more than in 1949.

The reduced numbers in feedlots this year is the result of shortened grain-feeding periods rather than of any general cutback in beef production. The fewer cattle on grain feed is more than offset by increased numbers on grass. Marketings of cattle during the remainder of this year will be about as large as in 1950.

HOG PRODUCTION TO LEVEL OFF

Hog production has increased more than a fourth since the 83-million pig crop in 1946. No important further increases are in prospect. The situation justifies a moderate increase in production only by farmers who can save 7 or more pigs per litter and get big gains from feed fed.

On June 1 farmers expected to have 4 percent more sows to farrow fall pigs than in 1950. With average luck this will make 3 percent more pigs than last year. The combined spring and fall pig crops will total about 106 million head. This compares with 100 million head in 1950 and a 90-million average for the previous five years.

The usual summer rise in hog prices was checked by the price ceilings on pork, but they will not prevent a fall decline. Usually prices of hogs drop about a fifth from September to December. The decline will probably be less than that this year.

The 1951 spring pig crop was 7 percent larger than that of a year earlier. Pork supplies this fall and winter will show a corresponding increase over those of a year ago. This will be just about enough to offset the increase in consumer buying power. Therefore prices of hogs seem likely to average about the same as they did last fall and winter.

LAMBS AND WOOL

During the past ten years, farmers and ranchers have cut their flocks by half. Thus while beef cattle numbers are at an all-time high, sheep and lamb numbers are the smallest on record. This suggests that lambs may sell well for a considerable time after beef cattle prices are reduced to a more normal relation with prices of other farm products.

Lambs and wool got a good break under price ceilings and are likely to receive favorable treatment under future regulations and legislation.

When prices of wool got too high last winter, it ran into stiff competition from rayon and other synthetic fibers. Competition from synthetics will increase, but no exact substitute for wool is likely to be found.

FEED SUPPLIES AMPLE

The official August estimate of the U. S. corn crop was 3.2 billion bushels. This compares with 3.1 billion last year and 3.0 billion for the 10-year average.

The Illinois crop shows a much larger increase than the U. S. total. The 1951 state crop was estimated at 503 million bushels against 419 million last year.

Total feed-grain supplies will be around 180 million tons, as compared with 183 million for each of the past two years. The amount of feed grains that will be used during the next 12 months is likely to be greater than the amount produced this year. The carry-over next fall (1952) will be reduced from the present figure of around 29 million tons to perhaps 22 million tons.

Supplies of protein feeds will be slightly larger than in the year just ending. A huge increase in cottonseed meal will more than offset possible reductions in supplies of soybean and linseed meals.

Prices slightly higher

Prices of feed grains seem likely to average a little higher than in the past year. Supplies are slightly smaller. There are more hogs, poultry, and cattle to be fed. The corn-loan rate will be higher by at least 8 cents, and possibly by 10 to 15 cents a bushel. The government now owns around 400 million bushels of corn. Some of this will be needed for feed within 12 months. Government sales policy on this corn will have much influence on prices. Prices of corn are likely to show a different seasonal pattern than in 1950-51. The high for the marketing year is expected next summer rather than during the winter.

Prices of protein feeds may be no higher than during the past feeding season. The larger supplies will tend to offset increased demand.

This outlook statement is prepared with the expectation that there will be no major war in 1952. A "peace offensive" seems more likely. A strong move toward peace would slow the placing of new orders for military equipment. At the same time it likely would cause Congress to go easier on tax increases. So far as prices are concerned one might about offset the other.

CONSUMER BUYING POWER INCREASING

Consumers went on a big buying spree in the last half of 1950. They slowed down in the first half of this year, but their buying power now is greater than ever before.

Recent civilian employment was around 62 million persons, the same as a year ago. This year, however, fewer are working in agriculture and other low-pay jobs, and more in high-paying industrial work. The military forces are also larger than they were a year ago.

The typical industrial worker now earns \$65 to \$70 a week, \$6 to \$7 more than last year. Moderate increases in both employment and wage rates are likely during the next 15 months. Employment will be maintained at high levels by industrial plant expansion and by increasing employment on assembly lines turning out military equipment.

Consumer buying power is much more important than population growth in making prices. The population of meat-eating age was increasing rapidly in the 1890's and the 1930's, but livestock prices were very low.

Restrictions on installment buying and bank lending helped check inflation during the past 12 months, and especially during the first half of this year. Recently, however, strong pressure groups induced Congress to relax credit restrictions.

Price controls to continue

The fight to kill price controls probably will be renewed next summer. But 1952 is an election year. At stake is not only the Presidency but also all of the seats in the House and a third of those in the Senate. Regardless of the merits of direct price controls many large labor-consumer groups demand them. Probably very few candidates will want to campaign on a record of having killed price controls.

Price controls will be amended constantly as long as they are maintained.

September, 1951 Urbana, Illinois

Cooperative Extension Work in Agriculture and Home Economics: University of Illinois, College of Agriculture, and the United States Department of Agriculture cooperating. H. P. Rusk, *Director*. Acts approved by Congress May 8 and June 30, 1914.

25M—9-51—48006